

**EMMET COUNTY**  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013

# EMMET COUNTY

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## EMMET COUNTY

### OFFICIALS

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Martyr	Board of Supervisors	January 2015
Ron Smith	Board of Supervisors	January 2015
Beverly Juhl	Board of Supervisors	January 2013
Alan Madden	Board of Supervisors	January 2013
Tim Schumacher	Board of Supervisors	January 2013
Michele Erickson	County Auditor	January 2013
Vickie Jurrens	County Treasurer	January 2015
Sue Snyder	County Recorder	January 2015
Mike Martens	County Sheriff	January 2013
Doug Hansen	County Attorney	January 2015
Barb Bohm	County Assessor	January 2016

(After January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Martyr	Board of Supervisors	January 2015
Ron Smith	Board of Supervisors	January 2015
Beverly Juhl	Board of Supervisors	January 2017
Alan Madden	Board of Supervisors	January 2017
Tim Schumacher	Board of Supervisors	January 2017
Michele Erickson	County Auditor	January 2017
Vickie Jurrens	County Treasurer	January 2015
Diann Minion	County Recorder	January 2015
Mike Martens	County Sheriff	January 2017
Doug Hansen	County Attorney	January 2015
Barb Bohm	County Assessor	January 2016

## **INDEPENDENT AUDITORS' REPORT**

To the Officials of Emmet County:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Emmet County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmet County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of Emmet County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emmet County's internal control over financial reporting and compliance.

Wintner, Starnes & Co., LLP

December 11, 2013

EMMET COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Cash and pooled investments .....	\$ 4,169,175
Receivables:	
Property tax:	
Succeeding year .....	4,411,485
Accounts .....	54,924
Accrued interest .....	1,466
Due from other governments .....	288,734
Inventories .....	384,853
Prepaid insurance .....	63,472
Capital assets - net of accumulated depreciation .....	<u>11,935,228</u>
<b>TOTAL ASSETS</b>	<u><b>21,309,337</b></u>
<b>LIABILITIES</b>	
Accounts payable .....	513,346
Salaries and benefits payable .....	26,360
Due to other governments .....	42,783
Deferred revenue:	
Succeeding year property tax .....	4,411,485
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes .....	25,872
Compensated absences .....	222,804
Portion due or payable after one year:	
General obligation notes .....	260,479
Net OPEB liability .....	<u>40,373</u>
<b>TOTAL LIABILITIES</b>	<u><b>5,543,502</b></u>
<b>NET POSITION</b>	
Net investment in capital assets .....	11,648,877
Restricted for:	
Supplemental levy purposes .....	125,160
Mental health purposes .....	417,736
Rural services .....	607,967
Secondary roads purposes .....	1,416,450
Other purposes .....	704,198
Unrestricted .....	<u>845,447</u>
<b>TOTAL NET POSITION</b>	<u><b>\$15,765,835</b></u>

EMMET COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Service	Interest	Interest	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services .....	\$1,653,734				\$(1,653,734)
Physical health and social services .....	624,302				(624,302)
Mental health .....	888,647				(888,647)
County environment and education .....	582,467				(582,467)
Roads and transportation .....	2,949,533		\$1,561,401		(1,388,132)
Governmental services to residents .....	398,961				(398,961)
Administration .....	<u>871,281</u>	<u>\$342,973</u>			<u>(528,308)</u>
TOTAL	<u>\$7,968,925</u>	<u>\$342,973</u>	<u>\$1,561,401</u>		<u>(6,064,551)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes .....					4,529,673
Interest and penalty on property tax .....					25,395
State tax credits .....					115,039
Grants and contributions not restricted to specific purposes .....					1,191,881
Unrestricted investment earnings .....					17,838
Miscellaneous .....					<u>512,557</u>
TOTAL GENERAL REVENUES					<u>6,392,383</u>
Change in net position .....					327,832
Net position - beginning of year .....					<u>15,438,003</u>
NET POSITION - END OF YEAR					<u>\$15,765,835</u>



EMMET COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

ASSETS

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Cash and pooled investments .....	\$1,036,257	\$ 445,409	\$ 583,347	\$1,410,024	\$678,447	\$4,153,484
Receivables:						
Property tax:						
Succeeding year .....	2,881,850	470,990	1,058,645			4,411,485
Accounts .....	54,924					54,924
Accrued interest .....	1,461				5	1,466
Due from other governments .....	60,626	22,150	25,219	154,993	25,746	288,734
Inventories .....				384,853		384,853
Prepaid insurance .....	37,277			26,195		63,472
 TOTAL ASSETS	 <u>\$4,072,395</u>	 <u>\$ 938,549</u>	 <u>\$1,667,211</u>	 <u>\$1,976,065</u>	 <u>\$704,198</u>	 <u>\$9,358,418</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:						
Accounts payable .....	\$ 53,158	\$ 7,040	\$ 599	\$ 452,549		\$ 513,346
Salaries and benefits payable .....	10,746			15,614		26,360
Due to other governments .....		42,783				42,783
Deferred revenue:						
Succeeding year property tax .....	2,881,850	470,990	1,058,645			4,411,485
TOTAL LIABILITIES	<u>2,945,754</u>	<u>520,813</u>	<u>1,059,244</u>	<u>468,163</u>		<u>4,993,974</u>
FUND BALANCES:						
Nonspendable:						
Inventories .....				384,853		384,853
Prepaid insurance .....	37,277			26,195		63,472
Restricted for:						
Supplemental levy purposes .....	87,883					87,883
Mental health purposes .....		417,736				417,736
Rural services purposes .....			607,967			607,967
Secondary roads purposes .....				1,096,854		1,096,854
Drainage districts .....					\$ 88,066	88,066
Conservation land acquisition/ capital improvements .....					18,662	18,662
Other purposes .....					597,470	597,470
Assigned for emergencies .....	20,000					20,000
Unassigned .....	981,481					981,481
TOTAL FUND BALANCES	<u>1,126,641</u>	<u>417,736</u>	<u>607,967</u>	<u>1,507,902</u>	<u>704,198</u>	<u>4,364,444</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$4,072,395</u>	 <u>\$ 938,549</u>	 <u>\$1,667,211</u>	 <u>\$1,976,065</u>	 <u>\$704,198</u>	 <u>\$9,358,418</u>

EMMET COUNTY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

Total governmental fund balances (page 7) ..... \$ 4,364,444

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,635,314 and the accumulated depreciation is \$8,700,086. .... 11,935,228

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. .... 15,691

Long-term liabilities, including capital lease purchase agreements, loans and contracts payable, compensated absences payable, and other post-employment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. .... (549,528)

NET POSITION OF GOVERNMENTAL ACTIVITIES (page 5) ..... \$15,765,835

EMMET COUNTY,  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
REVENUES:						
Property and other county tax .....	\$2,609,801	\$ 784,184	\$1,135,688			\$4,529,673
Interest and penalty on property tax .....	25,395					25,395
Intergovernmental .....	622,612	215,722	43,756	\$1,815,216	\$171,015	2,868,321
Licenses and permits .....	5,725			2,840		8,565
Charges for service .....	336,397				2,676	339,073
Use of money and property .....	21,625				78	21,703
Miscellaneous .....	107,874	962		107,293	246,062	462,191
TOTAL REVENUES	<u>3,729,429</u>	<u>1,000,868</u>	<u>1,179,444</u>	<u>1,925,349</u>	<u>419,831</u>	<u>8,254,921</u>
EXPENDITURES:						
Operating:						
Public safety and legal services .....	1,452,336		189,254			1,641,590
Physical health and social services .....	626,265					626,265
Mental health .....		900,016				900,016
County environment and education .....	305,414		46,034		209,959	561,407
Roads and transportation .....				2,958,427		2,958,427
Governmental services to residents .....	397,649				3,159	400,808
Administration .....	844,413		70	239	40,452	885,174
Capital projects .....				3,096	31,380	34,476
TOTAL EXPENDITURES	<u>3,626,077</u>	<u>900,016</u>	<u>235,358</u>	<u>2,961,762</u>	<u>284,950</u>	<u>8,008,163</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>103,352</u>	<u>100,852</u>	<u>944,086</u>	<u>(1,036,413)</u>	<u>134,881</u>	<u>246,758</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out) .....	(5,156)		(873,666)	873,666	5,156	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,156)</u>		<u>(873,666)</u>	<u>873,666</u>	<u>5,156</u>	
CHANGE IN FUND BALANCES	98,196	100,852	70,420	(162,747)	140,037	246,758
FUND BALANCES - BEGINNING OF YEAR	<u>1,028,445</u>	<u>316,884</u>	<u>537,547</u>	<u>1,670,649</u>	<u>564,161</u>	<u>4,117,686</u>
FUND BALANCES - END OF YEAR	<u>\$1,126,641</u>	<u>\$ 417,736</u>	<u>\$ 607,967</u>	<u>\$1,507,902</u>	<u>\$704,198</u>	<u>\$4,364,444</u>

EMMET COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 9) ..... \$ 246,758

*Amounts reported for governmental activities in the Statement of Activities  
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense and loss on disposition of capital assets exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets .....	\$ 615,416	
Loss on disposition of capital assets .....	(5,504)	
Depreciation expense .....	<u>(631,229)</u>	<u>(21,317)</u>

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. For the current year, debt issued exceeded debt repayments as follows:

Issued .....	-	
Repaid .....	<u>72,585</u>	<u>72,585</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences .....	23,811	
Other post-employment benefits .....	<u>(8,840)</u>	<u>14,971</u>

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. ....		<u>14,835</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 6) ..... \$ 327,832

EMMET COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

Internal Service

Health Insurance

ASSETS

Cash and pooled investments .....	\$ 15,691
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NET POSITION - UNRESTRICTED	<u>\$ 15,691</u>
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EMMET COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	<u>Internal Service</u>
	<u>Health Insurance</u>
OPERATING REVENUES:	
Reimbursements from operating funds .....	\$ 586,619
Reimbursements from employees and others .....	<u>235,042</u>
TOTAL OPERATING REVENUES	<u>821,661</u>
OPERATING EXPENSES:	
Insurance premiums and fees .....	<u>806,861</u>
TOTAL OPERATING EXPENSES	<u>806,861</u>
OPERATING INCOME	14,800
NONOPERATING REVENUES:	
Interest income .....	<u>35</u>
NET INCOME	14,835
NET POSITION - BEGINNING OF YEAR .....	<u>856</u>
NET POSITION - END OF YEAR	<u>\$ 15,691</u>

EMMET COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	<u>Internal Service</u>
	<u>Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operating fund reimbursements .....	\$ 586,619
Cash received from employees and others .....	235,042
Cash payments for premiums, fees, and other .....	<u>(806,861)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>14,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest .....	<u>35</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>35</u>
NET CHANGE IN CASH	14,835
CASH AT BEGINNING OF YEAR .....	<u>856</u>
CASH AT END OF YEAR	<u>\$ 15,691</u>
RECONCILIATIONS OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income .....	\$ 14,800
Adjustments to reconcile operating income to net cash provided by operating activities:	
None .....	<u>          </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,800</u>

EMMET COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2013

ASSETS

Cash and pooled investments:	
County Treasurer .....	\$ 755,735
Other County officials .....	35,136
Accounts receivable .....	5,086
Accrued interest .....	11
Property tax receivable:	
Succeeding year .....	<u>11,050,494</u>
 TOTAL ASSETS	 <u>11,846,462</u>

LIABILITIES

Due to other governments .....	11,822,378
Trusts payable .....	<u>24,084</u>
 TOTAL LIABILITIES	 <u>11,846,462</u>

NET POSITION	<u>\$ -</u>
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EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Emmet County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, Emmet County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens, on the County.

These financial statements present Emmet County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Emmet County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Emmet County Auditor's office.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Emmet County Assessor's Conference Board, Emmet County Emergency Management Commission, Emmet County Joint E911 Service Board, and Emmet County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, a proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Presentation - Continued**

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

**Special Revenue:**

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas. The County has further specified that \$20,000 and \$100,000 of restricted fund balances will be used for emergencies and future buildings and equipment, respectively.

The Secondary Roads Fund is used to account for the road use tax allocations from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds, and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting - Continued**

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditures is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are reimbursements from operating funds and employees. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

**Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

For purposes of the statement of cash flows, the County considers as cash all currency on hand and demand deposits and certificates of deposit with banks or other financial institutions.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable representing unpaid taxes for the current and prior years are not considered material to the financial statements. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2011 assessed property valuations, is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Infrastructure	\$ 65,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	25 - 50
Infrastructure	10 - 60
Equipment	3 - 20
Vehicles	5 - 15

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Position includes succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws, or are imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

*Assigned* - Amounts the Board of Supervisors intend to use for specific purposes.

*Unassigned* - All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Health Insurance Fund is designated for anticipated future health insurance costs of the County.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Management's Review**

The County has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**2. CASH AND POOLED INVESTMENTS**

The County's deposits in banks at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$21,458 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT is unrated.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer of prime bankers acceptances, commercial paper, or other short-term corporate debt.

**3. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$873,666
Conservation Land Acquisition Trust	General	5,156

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land .....	\$ 156,869	_____	_____	\$ 156,869
Total capital assets not being depreciated	<u>156,869</u>	_____	_____	<u>156,869</u>
Capital assets being depreciated:				
Buildings .....	2,805,140	\$ 45,235		2,850,375
Machinery and equipment .....	6,036,742	348,573	\$(144,869)	6,240,446
Infrastructure, road network .....	10,269,736	221,608		10,491,344
Other .....	896,280	_____	_____	896,280
Total capital assets being depreciated	<u>20,007,898</u>	<u>615,416</u>	<u>(144,869)</u>	<u>20,478,445</u>
Less accumulated depreciation for:				
Buildings .....	1,618,920	73,457		1,692,377
Machinery and equipment .....	5,121,602	281,229	(139,365)	5,263,466
Infrastructure, road network .....	863,819	259,513		1,123,332
Other .....	603,881	17,030	_____	620,911
Total accumulated depreciation	<u>8,208,222</u>	<u>631,229</u>	<u>(139,365)</u>	<u>8,700,086</u>
Total capital assets being depreciated - net	<u>11,799,676</u>	<u>(15,813)</u>	<u>(5,504)</u>	<u>11,778,359</u>
Governmental activities capital assets - net	<u>\$11,956,545</u>	<u>\$ (15,813)</u>	<u>\$ (5,504)</u>	<u>\$11,935,228</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Public safety and legal services .....	\$ 50,974
Mental health .....	1,468
County environment and education .....	36,060
Roads and transportation .....	474,300
Administration .....	<u>68,427</u>
Total depreciation expense - governmental activities	<u>\$ 631,229</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 42,783
<b>TOTAL FOR GOVERNMENTAL FUNDS</b>		<b>\$ 42,783</b>
Agency:		
Agricultural Extension Education	Collections	\$ 152,047
County Assessor	Collections	361,080
Schools	Collections	7,066,207
Community Colleges	Collections	531,979
Corporations	Collections	2,937,402
Townships and Fire Districts	Collections	201,803
Auto License and Use Tax	Collections	226,768
E-911 Surcharge	Collections	276,936
All others	Collections	68,156
<b>TOTAL FOR AGENCY FUNDS</b>		<b>\$11,822,378</b>

**6. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>Loans and Contracts Payable</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance - beginning of year ....	\$358,936	\$246,615	\$ 31,533	\$637,084
Increases .....			8,840	8,840
Decreases .....	<u>(72,585)</u>	<u>(23,811)</u>	<u>          </u>	<u>(96,396)</u>
Balance - end of year	<u>\$286,351</u>	<u>\$222,804</u>	<u>\$ 40,373</u>	<u>\$549,528</u>
Due within one year	<u>\$ 25,872</u>	<u>\$222,804</u>	<u>\$          </u>	<u>\$248,676</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. LONG-TERM LIABILITIES - Continued**

**Loans and Contracts Payable**

The County has a non-interest bearing contract for \$90,592 for the purchase of gravel and mineral rights. Required annual payments are \$9,000 per year through 2013, with a final payment of \$9,592 in 2014. The outstanding contract balance at June 30, 2013 was \$9,592.

The County has a second non-interest bearing contract for \$325,599 for the purchase of gravel and mineral rights. Required annual payments are \$16,280 per year through August 2029. The outstanding contract balance at June 30, 2013 was \$276,759.

The Emmet County Conservation Board had a loan with a local financial institution for the construction of a nature center which had been guaranteed by the County Board of Supervisors. The loan balance was paid off in June 2013.

Maturities required as of June 30, 2013 are as follows:

2014 .....	\$ 25,872
2015 .....	16,280
2016 .....	16,280
2017 .....	16,280
2018 .....	16,280
2019-2023 .....	81,400
2024-2028 .....	81,400
2029-2033 .....	<u>32,559</u>
Total	<u>\$286,351</u>

**7. PENSION AND RETIREMENT BENEFITS**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$285,511, \$259,824, and \$225,890, respectively, equal to the required contributions for each year.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for all full-time active and retired employees and their eligible dependents. There are 67 active members and 10 retired members in the plan. Eligible retirees receive health care coverage through the same plan that is available to active employees. Eligible retirees must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a fully insured plan. Retirees pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy**

The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution .....	\$ 27,885
Interest on net OPEB obligation .....	
Adjustment to annual required contribution .....	
Annual OPEB cost	<u>27,885</u>
Net contributions .....	<u>(19,045)</u>
Increase in net OPEB obligation	8,840
Net OPEB obligation beginning of year .....	<u>31,533</u>
 Net OPEB obligation - end of year	 <u>\$ 40,373</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, plan members eligible for benefits contributed \$19,045 or 100% of the premium costs.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

**Annual OPEB Cost and Net OPEB Obligation - Continued**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$26,410	60%	\$10,511
June 30, 2011	26,410	60%	21,022
June 30, 2012	26,410	60%	31,533
June 30, 2013	27,885	68%	40,373

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$263,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$263,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,076,000 and the ratio of the UAAL to covered payroll was 8.55%. As of June 30, 2013, there were no trust fund assets.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

**Actuarial Methods and Assumptions - Continued**

Mortality rates are from the RP2000 Combined Mortality Table. Annual retirement and termination probabilities were developed by the County with the concurrence of the actuary. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**9. OPERATING LEASES**

The County has entered into a noncancelable agreement to lease office space. The lease requires monthly lease payments of \$1,691 and expires in September 2013. The County has also entered into operating lease agreements for office equipment. The leases require monthly lease payments ranging from \$92 to \$234 and expire from January 2016 to December 2017.

The following is a schedule of the future minimum lease payments under these agreements at June 30, 2013:

<u>June 30,</u>	<u>Amount</u>
2014 .....	\$ 17,498
2015 .....	12,516
2016 .....	9,042
2017 .....	<u>4,015</u>
TOTAL	<u>\$ 43,071</u>

Total rent expense for the year ended June 30, 2013 was \$18,523.

**10. RISK MANAGEMENT**

Emmet County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**11. COMMITMENTS**

The County has entered into contracts totaling approximately \$1,120,000 for bridge replacement, culverts, spraying, crack filling, and sealing. As of June 30, 2013, approximately \$720,000 of costs have been incurred. The balance remaining on the contract of approximately \$400,000 will be paid as work on the project progresses.

The County has entered into a five-year contract for ambulance service at a cost of \$23,500 per year. The contract ends with the June 30, 2014 fiscal year.

The County had entered into a five-year commitment for E-911 upgrades at a cost of \$32,500 per year. The contract ended with the June 30, 2013 fiscal year.

In July 2013, the County entered into a five-year capital lease for an excavator at a cost of \$59,776 per year. The capital lease ends with the June 30, 2018 fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**



EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:		
Property and other county tax .....	\$4,690,252	
Interest and penalty on property tax .....	25,395	
Intergovernmental .....	2,652,197	
Licenses and permits .....	9,405	
Charges for service .....	325,361	
Use of money and property .....	22,087	
Miscellaneous .....	<u>447,590</u>	<u>\$246,062</u>
TOTAL RECEIPTS	<u>8,172,287</u>	<u>246,062</u>
DISBURSEMENTS:		
Public safety and legal services .....	1,627,085	
Physical health and social services .....	625,574	
Mental health .....	1,204,825	
County environment and education .....	559,303	179,878
Roads and transportation .....	2,663,186	
Governmental services to residents .....	398,418	
Administration .....	898,052	
Capital projects .....	<u>33,902</u>	
TOTAL DISBURSEMENTS	<u>8,010,345</u>	<u>179,878</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	161,942	66,184
OTHER FINANCING SOURCES - NET .....	_____	_____
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	161,942	66,184
BALANCE - BEGINNING OF YEAR .....	<u>3,991,542</u>	<u>21,882</u>
BALANCE - END OF YEAR	<u>\$4,153,484</u>	<u>\$ 88,066</u>

Net	Budgeted Amounts		Final to Net Variance - Positive (Negative)
	Original	Final	
\$4,690,252	\$4,727,241	\$4,727,241	\$ (36,989)
25,395	31,300	31,300	(5,905)
2,652,197	3,354,147	3,371,147	(718,950)
9,405	13,200	13,200	(3,795)
325,361	292,881	292,881	32,480
22,087	22,150	22,150	(63)
<u>201,528</u>	<u>140,725</u>	<u>140,725</u>	<u>60,803</u>
<u>7,926,225</u>	<u>8,581,644</u>	<u>8,598,644</u>	<u>(672,419)</u>
1,627,085	1,672,654	1,690,354	63,269
625,574	719,274	734,274	108,700
1,204,825	1,926,305	1,928,305	723,480
379,425	489,310	489,310	109,885
2,663,186	3,247,731	3,247,731	584,545
398,418	440,881	445,986	47,568
898,052	1,151,528	1,152,778	254,726
<u>33,902</u>	<u>50,719</u>	<u>70,719</u>	<u>36,817</u>
<u>7,830,467</u>	<u>9,698,402</u>	<u>9,759,457</u>	<u>1,928,990</u>
95,758	(1,116,758)	(1,160,813)	1,256,571
<u>          </u>	<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>
95,758	(1,115,758)	(1,159,813)	<u>\$1,255,571</u>
<u>3,969,660</u>	<u>2,553,076</u>	<u>2,553,076</u>	
<u>\$4,065,418</u>	<u>\$1,437,318</u>	<u>\$1,393,263</u>	

EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues .....	\$8,172,287	\$ 82,634	\$8,254,921
Expenditures .....	<u>8,010,345</u>	<u>(2,182)</u>	<u>8,008,163</u>
Net	161,942	84,816	246,758
Beginning fund balances .....	<u>3,991,542</u>	<u>126,144</u>	<u>4,117,686</u>
ENDING FUND BALANCE	<u>\$4,153,484</u>	<u>\$ 210,960</u>	<u>\$4,364,444</u>

EMMET COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$61,055. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

EMMET COUNTY  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$256	\$256	0.00%	\$2,946	8.69%
2011	July 1, 2009	-	256	256	0.00	2,953	8.67
2012	July 1, 2009	-	256	256	0.00	2,975	8.61
2013	July 1, 2012	-	263	263	0.00	3,076	8.55

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status, and funding progress.

## **SUPPLEMENTARY INFORMATION**

EMMET COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

ASSETS

	Resource Enhancement and Protection	Recorder's Records Management	Revolving Loan
Cash and pooled investments .....	\$ 42,053	\$ 13,477	\$127,728
Receivables:			
Accrued interest .....	3	1	
Due from other governments .....	_____	527	_____
 TOTAL ASSETS	 <u>\$ 42,056</u>	 <u>\$ 14,005</u>	 <u>\$127,728</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable .....	_____	_____	_____
TOTAL LIABILITIES	_____	_____	_____
FUND BALANCES:			
Restricted .....	<u>\$ 42,056</u>	<u>\$ 14,005</u>	<u>\$127,728</u>
TOTAL FUND BALANCES	<u>42,056</u>	<u>14,005</u>	<u>127,728</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 42,056</u>	 <u>\$ 14,005</u>	 <u>\$127,728</u>

## Schedule 1

<u>Special Revenue</u>		<u>Capital Projects</u>	
<u>Local</u>	<u>Drainage</u>	<u>Conservation</u>	
<u>Option</u>	<u>Districts</u>	<u>Land</u>	
<u>Sales Tax</u>		<u>Acquisition</u>	<u>Total</u>
		<u>Trust</u>	
\$388,462	\$ 88,066	\$ 18,661	\$678,447
		1	5
<u>25,219</u>	<u>          </u>	<u>          </u>	<u>25,746</u>
<u>\$413,681</u>	<u>\$ 88,066</u>	<u>\$ 18,662</u>	<u>\$704,198</u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$413,681</u>	<u>\$ 88,066</u>	<u>\$ 18,662</u>	<u>\$704,198</u>
<u>413,681</u>	<u>88,066</u>	<u>18,662</u>	<u>704,198</u>
<u>\$413,681</u>	<u>\$ 88,066</u>	<u>\$ 18,662</u>	<u>\$704,198</u>



EMMET COUNTY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	Resource Enhancement and Protection	Recorder's Records Management	Revolving Loan
REVENUES:			
Intergovernmental .....	\$ 9,507		
Charges for service .....		\$ 2,676	
Use of money and property .....	43	11	
Miscellaneous .....			
TOTAL REVENUES	<u>9,550</u>	<u>2,687</u>	
EXPENDITURES:			
Operating:			
County environment and education .....	30,081		
Government services to residents .....		3,159	
Administration .....			
Capital projects .....			
TOTAL EXPENDITURES	<u>30,081</u>	<u>3,159</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,531)</u>	<u>(472)</u>	
OTHER FINANCING SOURCES:			
Operating transfers in .....			
TOTAL OTHER FINANCING SOURCES			
CHANGE IN FUND BALANCE	(20,531)	(472)	
FUND BALANCES - BEGINNING OF YEAR	<u>62,587</u>	<u>14,477</u>	<u>\$127,728</u>
FUND BALANCES - END OF YEAR	<u>\$ 42,056</u>	<u>\$ 14,005</u>	<u>\$127,728</u>

## Schedule 2

<u>Special Revenue</u>		<u>Capital Projects</u>	
<u>Local</u>	<u>Drainage</u>	<u>Conservation</u>	
<u>Option</u>	<u>Districts</u>	<u>Land</u>	
<u>Sales Tax</u>		<u>Acquisition</u>	<u>Total</u>
		<u>Trust</u>	
\$161,508			\$171,015
			2,676
		\$ 24	78
	<u>\$246,062</u>		<u>246,062</u>
<u>161,508</u>	<u>246,062</u>	<u>24</u>	<u>419,831</u>
	179,878		209,959
			3,159
40,452			40,452
		<u>31,380</u>	<u>31,380</u>
<u>40,452</u>	<u>179,878</u>	<u>31,380</u>	<u>284,950</u>
<u>121,056</u>	<u>66,184</u>	<u>(31,356)</u>	<u>134,881</u>
		<u>5,156</u>	<u>5,156</u>
		<u>5,156</u>	<u>5,156</u>
121,056	66,184	(26,200)	140,037
<u>292,625</u>	<u>21,882</u>	<u>44,862</u>	<u>564,161</u>
<u>\$413,681</u>	<u>\$ 88,066</u>	<u>\$ 18,662</u>	<u>\$704,198</u>

EMMET COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2013

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
ASSETS			
Cash and pooled investments:			
County Treasurer .....		\$ 1,203	\$ 99,253
Other County officials .....	\$ 35,136		
Accounts receivable .....			
Accrued interest .....			
Property tax receivable:			
Succeeding year .....		<u>150,844</u>	<u>261,827</u>
 TOTAL ASSETS	 <u>\$ 35,136</u>	 <u>\$152,047</u>	 <u>\$361,080</u>
LIABILITIES			
Due to other governments .....	\$ 11,052	\$152,047	\$361,080
Trusts payable .....	<u>24,084</u>		
 TOTAL LIABILITIES	 <u>\$ 35,136</u>	 <u>\$152,047</u>	 <u>\$361,080</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
\$ 67,042	\$ 3,430	\$ 28,968	\$ 1,788	\$226,768	\$271,839
					5,086 11
<u>6,999,165</u>	<u>528,549</u>	<u>2,908,434</u>	<u>200,015</u>	<u>          </u>	<u>          </u>
<u>\$7,066,207</u>	<u>\$531,979</u>	<u>\$2,937,402</u>	<u>\$201,803</u>	<u>\$226,768</u>	<u>\$276,936</u>
 \$7,066,207	 \$531,979	 \$2,937,402	 \$201,803	 \$226,768	 \$276,936
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$7,066,207</u>	<u>\$531,979</u>	<u>\$2,937,402</u>	<u>\$201,803</u>	<u>\$226,768</u>	<u>\$276,936</u>

EMMET COUNTY Schedule 3  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued  
 AGENCY FUNDS  
 JUNE 30, 2013

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Cash and pooled investments:			
County Treasurer .....	\$ 2	\$ 55,442	\$ 755,735
Other County officials .....			35,136
Accounts receivable .....			5,086
Accrued interest .....			11
Property tax receivable:			
Succeeding year .....	<u>          </u>	<u>1,660</u>	<u>11,050,494</u>
 TOTAL ASSETS	 <u>\$ 2</u>	 <u>\$ 57,102</u>	 <u>\$11,846,462</u>
LIABILITIES			
Due to other governments .....	\$ 2	\$ 57,102	\$11,822,378
Trusts payable .....	<u>          </u>	<u>          </u>	<u>24,084</u>
 TOTAL LIABILITIES	 <u>\$ 2</u>	 <u>\$ 57,102</u>	 <u>\$11,846,462</u>

EMMET COUNTY  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2013

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
BALANCE - BEGINNING OF YEAR .....	<u>\$ 27,763</u>	<u>\$129,542</u>	<u>\$343,199</u>
ADDITIONS:			
Property and other county tax .....		146,995	255,267
911 surcharge .....			
State tax credits .....		6,061	10,330
Office fees and collections .....	365,171		570
Auto licenses, use tax, and postage .....			
Trusts .....	130,069		
Miscellaneous .....			
TOTAL ADDITIONS	<u>495,240</u>	<u>153,056</u>	<u>266,167</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds .....	177,313		
To other governments .....	184,676	130,551	248,286
Trusts paid out .....	<u>125,878</u>		
TOTAL DEDUCTIONS	<u>487,867</u>	<u>130,551</u>	<u>248,286</u>
BALANCE - END OF YEAR	<u>\$ 35,136</u>	<u>\$152,047</u>	<u>\$361,080</u>

<u>Agency Funds</u>					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
<u>\$7,266,140</u>	<u>\$369,475</u>	<u>\$3,012,935</u>	<u>\$185,710</u>	<u>\$ 257,533</u>	<u>\$234,246</u>
6,779,688	517,573	2,794,245	196,288		111,223
341,689	17,281	160,169	8,295		
				2,950,510	
<u>7,121,377</u>	<u>534,854</u>	<u>2,954,414</u>	<u>204,583</u>	<u>2,950,510</u>	<u>111,223</u>
7,321,310	372,350	3,029,947	188,490	113,747 2,867,528	68,533
<u>7,321,310</u>	<u>372,350</u>	<u>3,029,947</u>	<u>188,490</u>	<u>2,981,275</u>	<u>68,533</u>
<u>\$7,066,207</u>	<u>\$531,979</u>	<u>\$2,937,402</u>	<u>\$201,803</u>	<u>\$ 226,768</u>	<u>\$276,936</u>

EMMET COUNTY Schedule 4  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 Continued  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2013

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR .....	\$ <u>2</u>	\$ <u>69,743</u>	\$ <u>11,896,288</u>
ADDITIONS:			
Property and other County tax .....		101,878	10,791,934
911 surcharge .....			111,223
State tax credits .....		40,556	584,381
Office fees and collections .....		59,892	425,633
Auto licenses, use tax, and postage .....			2,950,510
Trusts .....			130,069
Miscellaneous .....		<u>51,493</u>	<u>51,493</u>
TOTAL ADDITIONS		<u>253,819</u>	<u>15,045,243</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds .....			291,060
To other governments .....		266,460	14,678,131
Trusts paid out .....			<u>125,878</u>
TOTAL DEDUCTIONS		<u>266,460</u>	<u>15,095,069</u>
BALANCE - END OF YEAR	\$ <u>2</u>	\$ <u>57,102</u>	\$ <u>11,846,462</u>



EMMET COUNTY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES:				
Property and other County tax .....	\$4,529,673	\$4,423,683	\$4,279,484	\$3,897,024
Interest and penalty on property tax ....	25,395	25,613	32,648	32,217
Intergovernmental .....	2,868,321	3,550,771	3,441,158	3,095,959
Licenses and permits .....	8,565	10,075	13,650	10,150
Charges for service .....	339,073	315,265	302,258	281,190
Use of money and property .....	21,703	23,248	29,277	48,544
Miscellaneous .....	<u>462,191</u>	<u>526,638</u>	<u>903,241</u>	<u>352,697</u>
 TOTAL	 <u>\$8,254,921</u>	 <u>\$8,875,293</u>	 <u>\$9,001,716</u>	 <u>\$7,717,781</u>
EXPENDITURES:				
Operating:				
Public safety and legal services .....	\$1,641,590	\$1,521,709	\$1,489,245	\$1,445,010
Physical health and social services ..	626,265	613,856	626,036	665,466
Mental health .....	900,016	1,762,215	1,532,469	1,440,049
County environment and education .	561,407	675,901	974,509	497,003
Roads and transportation .....	2,958,427	2,630,293	2,655,551	2,158,249
Governmental services to residents .	400,808	385,298	361,274	361,461
Administration .....	885,174	895,348	940,067	808,468
Nonprogram .....				
Debt service .....				
Capital projects .....	<u>34,476</u>	<u>22,557</u>	<u>41,714</u>	<u>34,986</u>
 TOTAL	 <u>\$8,008,163</u>	 <u>\$8,507,177</u>	 <u>\$8,620,865</u>	 <u>\$7,410,692</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$3,679,884	\$3,517,727	\$3,476,195	\$3,236,692	\$3,021,031	\$3,388,885
25,894	25,731	26,047	23,407	35,119	26,088
3,259,908	2,960,182	3,148,746	2,941,424	2,834,531	2,828,622
9,192	23,820	5,576	2,550	1,324	4,275
308,701	285,189	280,508	295,572	277,507	297,913
75,500	163,614	198,360	181,621	75,657	54,623
<u>242,751</u>	<u>359,884</u>	<u>830,317</u>	<u>308,149</u>	<u>331,994</u>	<u>195,987</u>
<u>\$7,601,830</u>	<u>\$7,336,147</u>	<u>\$7,965,749</u>	<u>\$6,989,415</u>	<u>\$6,577,163</u>	<u>\$6,796,393</u>
\$1,383,851	\$1,355,444	\$1,277,329	\$1,151,903	\$1,101,629	\$1,100,948
636,458	596,304	562,101	551,087	528,634	560,765
1,489,962	1,592,167	1,677,114	1,626,628	1,421,809	1,369,753
475,048	700,867	621,669	390,450	295,005	328,496
2,535,537	2,119,781	2,051,865	2,173,602	1,976,853	1,791,530
362,959	345,869	331,946	437,783	307,658	271,780
850,528	895,731	787,935	745,244	743,178	727,274
		24,095			
			17,500	27,367	27,367
<u>69,980</u>	<u>416,104</u>	<u>32,812</u>	<u>455,687</u>	<u>226,264</u>	<u>156,606</u>
<u>\$7,804,323</u>	<u>\$8,022,267</u>	<u>\$7,366,866</u>	<u>\$7,549,884</u>	<u>\$6,628,397</u>	<u>\$6,334,519</u>

**WINTHER, STAVE & CO., LLP**  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Emmet County:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Emmet County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmet County's internal control. Accordingly, we do not express an opinion on the effectiveness of Emmet County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Emmet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Emmet County's Responses to Findings**

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmet County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winkler, Starn & Co., LLP*

December 11, 2013

EMMET COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiencies:**

- I-A-13 Segregation of Duties - One significant aspect of internal accounting control is the adequate segregation of duties among employees in order to minimize an individual employee or official from handling duties which are incompatible. The segregation of duties helps to prevent losses from unintentional employee errors or dishonesty and improves the reliability and accuracy of the County's financial statements. We noted that in each of the offices of County officials there were several accounting functions that were being performed by the same person.

Recommendation - We recognize that with a limited number of office employees segregation of duties is difficult. However, accounting controls may be improved by having certain procedures performed by only one person for a given period of time and then rotating the responsibilities for a control function sometime during the year. In some instances, the County official should consider delegating certain responsibilities to deputies and provide the main supervision and review function themselves. In all instances where it is not possible to segregate duties, it is important to increase the review of that work by supervisory personnel.

Response - We will continue to segregate duties the best we can with the limited number of personnel we have.

Conclusion - Response accepted.

- I-B-13 Sheriff's Office Accounts - During our audit, we noted the Sheriff's office maintains separate financial institution accounts for drug investigations, DARE, canine, and posse. These accounts are maintained and controlled by the Sheriff but have minimal activity. In addition, the activity in these accounts is not reported to or approved by the Board of Supervisors. We also noted several of the accounts had only one authorized check signer.

Recommendation - We recommend these four accounts be closed and remitted to the County Treasurer to maintain on behalf of the Sheriff's Office. However, if the accounts remain open, we recommend that a second person be added as authorized signer.

Response - We will discuss with the County Sheriff closing these accounts and remitting the funds to the County Treasurer. If not done, we will ask that activity in these accounts be reported to the Board of Supervisors for approval and that a second authorized signer be added for applicable accounts.

Conclusion - Response accepted.

**Instances of Non-compliance:**

No matters were noted.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-13 Certified Budget - Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Expenditures - No expenditures that we believe may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Steve Erickson, husband of Auditor Michele Erickson, independent contractor	Election official	\$ 66
Jim Anderson, spouse of employee Colleen Anderson, independent contractor	Snow removal	\$ 660
Denise Leal, spouse of jailer Pablo Leal, independent contractor	Driver	\$ 263
Molly Martens, daughter of sheriff Mike Martens, independent contractor	Driver	\$ 144

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

II-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

II-H-13 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-13 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

II-J-13 Tax Increment Financing (TIF) - For the year ended June 30, 2013, the County Auditor prepared a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.